

From The Minister of State

19 June 1990

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Dr Bush,

Thank you for your letter of 5 June about export licence applications for Iraq for machine tools submitted by Matrix Churchill and Bridgeport Machines Limited. I have also now seen a copy of Alan Clark's letter to you of 6 June.

I have looked hard at the implications for exports to Iraq of the liberalisation of the COCOM embargo on sophisticated machine tools. I acknowledge that this will enable British companies to export such equipment to COCOM-prescribed countries without the need for an export licence. But I do not think this should alter our view on the export of such equipment to Iraq. Although, as you say, the effect of the withdrawal of such an embargo would normally be to make machine tools such as these completely free from export controls to all destinations, we shall need, for our own foreign policy reasons to retain controls in respect of specific destinations where strict guidelines on the sale of military-related equipment remain in force. These concerns apply not only to Iraq, but with equal force to other countries, like Libya and Iran.

Although, we have no incontrovertible proof that the equipment in question will be used in arms manufacture, the overall intelligence picture suggests that it might well. If, as seems likely, there are further revelations about indigenous Iraqi arms manufacture and Matrix Churchill are again implicated, we would, entirely justifiably in my view, be sharply criticised for approving such licences. We could not argue that we had not been adequately warned.

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My view therefore remains that we should refuse to approve these licences for at least the three months suggested in my letter of 30 May. Although it is not possible for us to prevent the governments of other friendly potential supplier countries from allowing the sale by their own companies of similar equipment to Iraq, we would be happy to inform such countries that we are not intending to do so, giving our reasons.

I appreciate your concern that the refusal to approve these licences might have adverse consequences for other British companies seeking to export to Iraq. I consider that the risks outlined above override these concerns, not least because the Iraqis may well be expecting a negative response to Matrix and Bridgeport's applications.

I should be happy to have an early Ministerial meeting to discuss the applications should this round of correspondence not resolve the issue.

I am copying this letter to Alan Clarke.

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him

The Rt Hon William Waldegrave

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